

DOCUMENT RESUME

ED 146 827

HE 009 314

AUTHOR MacDonald, Douglas S.
TITLE Alternative Tuition Systems. ERIC/Higher Education Research Report No. 6.
INSTITUTION George Washington Univ., Washington, D.C. ERIC Clearinghouse on Higher Education.
SPONS AGENCY American Association for Higher Education, Washington, D.C.; National Inst. of Education (DHEW), Washington, D.C.
PUB DATE 77
NOTE 53p.
AVAILABLE FROM Publications Department, American Association for Higher Education, One Dupont Circle, Suite 780, Washington, D.C. 20036 (\$3.50)
EDRS PRICE MF-\$0.83 HC-\$3.50 Plus Postage.
DESCRIPTORS Educational Finance; *Federal Aid; Financial Support; *Higher Education; Income Contingent Loans; *State Aid; *State Federal Aid; Student Costs; *Student Financial Aid; Student Loan Programs; *Tuition; Tuition Grants

ABSTRACT

This monograph reviews the alternative tuition systems that colleges, universities, states, and the Federal Government have implemented, are in the process of developing, or have proposed to use in helping families pay for the escalating costs of postsecondary education. It considers models for pricing tuition, ways to keep tuition low, and suggestions about how parents and students can finance a postsecondary education. The major tuition surcharge plans that have been suggested to finance postsecondary education are surveyed, and recommendations for the apportionment of the responsibility for financing postsecondary education are made. Also discussed are institutional alternative tuition plans that feature income-contingent loans, tuition postponement options, prepaid installment systems, and moderately low-interest loan programs. In addition, several state and federal alternative plans and regional reciprocity programs that bear directly on the institutional alternative tuition plans are examined. The implications of alternative tuition plans are summarized, especially in relation to federal-state reciprocity agreements. (Author/JMP)

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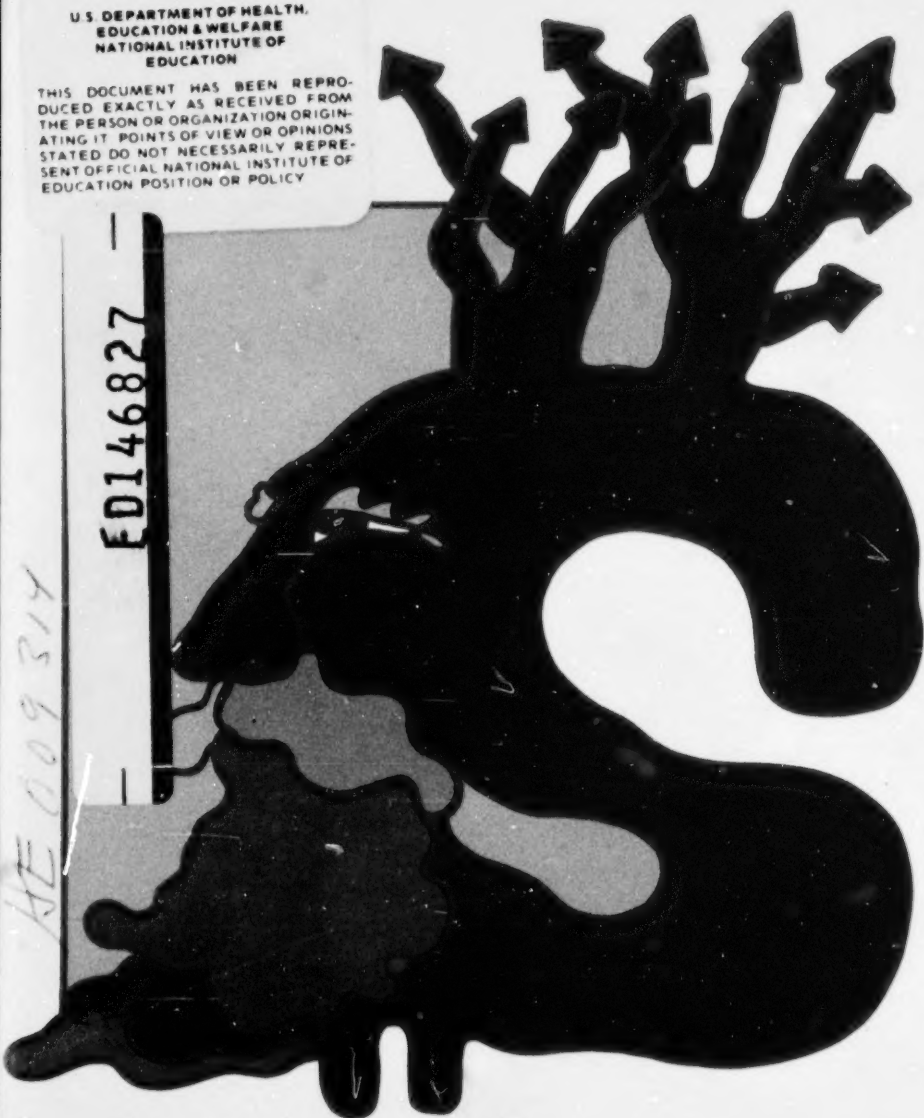
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**Alternative Tuition
Systems**

Douglas S. MacDonald

**ERIC/Higher Education
Research Report No. 6
1977**

Prepared by the
ERIC Clearinghouse
on Higher Education
The George Washington University
Washington, D.C. 20036

Published by
the American Association
for Higher Education
One Dupont Circle, Suite 780
Washington, D.C. 20036

This publication was prepared pursuant to a contract with the National Institute of Education, U. S. Department of Health, Education and Welfare. Contractors undertaking such projects under government sponsorship are encouraged to express freely their judgment in professional and technical matters. Prior to publication, the manuscript was submitted to the American Association for Higher Education for critical review and determination of professional competence. This publication has met such standards. Points of view or opinions do not, however, necessarily represent official views or opinions of either the American Association for Higher Education or the National Institute of Education.

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Acknowledgement

The author wishes to acknowledge the Educational Resources Information Center on Higher Education at the National Center for Higher Education in the preparation of this report. The author is indebted to Ms. Lynn Haupt of the Educational Resources Information Center on Higher Education and Ms. Kathleen Pegan of the University of Delaware for their technical assistance.

The author wishes to acknowledge Ms. Susan Davis of the College Entrance Examination Board, Anthony Graziano of the University of Delaware, Judi Munaker of Goucher College, Richard Tombaugh of Educational Methods, Inc., Jonathan Fife and Peter Muirhead of Educational Resources Information Center on Higher Education for their review of the manuscript.

The author accepts full responsibility for the final version of the manuscript.

Foreword

This monograph reviews the alternative tuition systems that colleges, universities, states, and the Federal Government have implemented, are in the process of developing, or have proposed to use in helping families pay for the escalating costs of postsecondary education. It considers models for pricing tuition, ways to keep tuition low, and suggestions about how parents and students can finance a postsecondary education. The major tuition remission and tuition surcharge plans that have been suggested to finance postsecondary education are surveyed, and recommendations for the apportionment of the responsibility for financing postsecondary education are made. Also discussed are institutional alternative tuition plans that feature income-contingent loans, tuition postponement options, prepaid installment systems, and moderately low-interest loan programs. In addition, several state and federal alternative financing plans and regional reciprocity programs that bear directly on the institutional alternative tuition plans are examined. Concluding remarks summarize the implications of alternative tuition plans, especially in relation to federal-state reciprocity agreements. Douglas S. MacDonald is director of the Office of Student Financial Assistance and faculty member in the School of Education at the University of Delaware.

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Overview

Alternative tuition financing plans are necessary to help students pay for the escalating cost of postsecondary education. This monograph examines the means the postsecondary education community is using to help students finance their education. It includes a discussion of the major tuition remission and tuition surcharge models that have been suggested as a way to finance postsecondary education. The state of Rhode Island's experience in establishing various tuition plan options is used as a model.

As tuition rates continue to rise to keep pace with the cost of living, the demand for new financial aid plans becomes more urgent. So far, a major factor in providing the opportunity for all citizens to obtain a postsecondary education has been the Federal Insured Guaranteed Student Loan Program. Recent changes in the Guaranteed Student Loan Program now make it possible for families with an adjusted gross family income below \$25,000 to obtain a loan, with the Federal Government subsidizing interest on the loan until the repayment period begins. Depending on the commercial lending community's willingness as well as available capital, other families with adjusted gross incomes above \$25,000 are also able to obtain a Guaranteed Student Loan, although without Federal government interest subsidy.

Several private institutions have used their endowment funds to start income-contingent and other low-interest loan programs. For example, Yale and Duke, along with many private colleges and universities and an increasing number of public institutions, faced a financial situation that meant alternative financing plans for students had to be developed. Without new financing options these institutions would have had to abandon their commitment to an admissions policy that permitted student access to postsecondary education independent of a family's economic status. In an attempt to retain that commitment to all students, these colleges introduced income-contingent loan plans and family installment tuition plans.

In addition to a discussion of the means private institutions are employing to alleviate the tremendous financial burden on students, various federal alternative financing proposals are summarized. Basically, the purpose of the Federal proposals is to increase the total

financial resources available for a student's access to, choice of, and retention in an institution of postsecondary education.

In addition to federal programs, a variety of state-devised financing plans evolved and affected state tuition systems. Major state tuition systems examined in this paper include those adopted by California, New York, Washington, and Illinois.

Regional reciprocity agreements, or examples of the different resources states have used to meet tuition costs, are compiled for the reader's information. Regional reciprocity agreements provide a means for states and institutions to carry out interstate arrangements for providing expanded educational services without significantly increasing tuition charges.

All of these alternative tuition systems are based on a variety of factors, including:

- (1) The level of state and federal appropriations to subsidize postsecondary education.
- (2) The willingness and ability of parents and students to finance postsecondary education.
- (3) The economic condition of our society and its implications for the individual family.
- (4) Students' awareness and understanding of federal and state financial assistance programs.
- (5) The comprehensive loan programs available to all families through federal, state, and private commercial lending programs.
- (6) The regional reciprocity agreements providing cooperative efforts in maintaining low tuition charges through shared resources.

Creative alternative tuition systems can be established to help students finance their postsecondary education. However, there first must be a public awareness of the societal benefits derived from postsecondary education. Societal concern is necessary to promote change in the legislative process that will result in greater support for postsecondary education.

Introduction

Financing postsecondary education requires that hard choices be made about the use of limited resources for maximum effectiveness. It is with this reality firmly in mind that several alternative tuition financing systems are considered and evaluated here.

In evaluating alternative tuition financing systems, it is necessary to have an understanding of how limited available financial resources should be provided to meet the various societal objectives for postsecondary education. Recently, the National Commission on Financing Postsecondary Education, the Carnegie Commission on Higher Education, and others concluded that financing postsecondary education is a responsibility that should be shared by public and private sources, including Federal, state, and local governments, students and their families, and other concerned organizations and individuals in the private sectors.

In January of 1977 a paper by the American Federation of Teachers Advisory Commission on Higher Education affirmed that achieving the federal objective of equal postsecondary educational opportunity depends heavily on considerations of a student's ability to pay for college. This raises questions, such as: How great a share of the costs can or should be borne by students from families at different income levels? How much should be borne by public sources and private giving?

The rationale for tuition charges at a public institution is often based on the argument that individuals should pay for the portion of the benefits that accrue to each personally, while the public should pay for that portion which contributes to the social benefit of all. However, the art of defining, measuring, and allocating these benefits is not very advanced; given the complex nature of the products of educational endeavor, it is unlikely to ever be very precise.

In a 1971 report titled *Financing Higher Education: Alternatives for the Federal Government*, M. D. Orwig stated that those who are impressed with the private benefits of education are interested in a public subsidy only as a last resort and then chiefly in the form of financial aid to students. On the other hand, there are those who find the public or social benefits of postsecondary education of greater importance, so they advocate public support. However, when the goal of equal educational opportunity is acknowledged as legitimate and

desirable, the decision-making models are rendered more complex and the conclusions concerning financial support become less clear.

A review of the following pricing policies and subsidies of students is necessary due to the causal relationship between these policies and the alternative tuition financing systems that ultimately are established. These policies include:

- (1) Low or no tuition pricing with substantial or full instructional cost financing by state or federal governments is based on the assumption that the full benefit of postsecondary education falls to society and that the individual student should assume limited responsibility for financing his or her education.
- (2) Full instructional cost pricing with no financing of instructional expenditures by federal or state governments assumes that the individual receives all of the benefits from gaining a higher education and that the federal and state governments should assume no responsibility for subsidizing that experience.
- (3) A middle position, or conglomerate model, may lean either to federal and state subsidy or more to individual subsidy, and will result in either higher or lower tuition (Academy for Educational Development, February 1973).

A recent study by Halstead, published by the American Association of State Colleges and Universities,¹ supports the hypothesis that equal educational opportunity is now threatened by tuition increases. Since 1961, average tuition charges have more than doubled, resulting in a higher rate of increase than the increase in the cost of living index. Currently, tuition charges in private institutions are averaging almost five times higher than tuition charges in public institutions (*Digest of Educational Statistics*, 1970, 1971, 1972, and 1973).

The National Commission on Financing Postsecondary Education has estimated conservatively that for every \$100 tuition increase more than 3 percent of low-income students and additional percentages of middle- and high-income students will not attend postsecondary educational institutions. Equal educational opportunity for postsecondary education and the diversity of that experience will be adversely affected unless some creative alternative tuition financing systems are recommended and adopted that will address the financing of postsecondary education in the face of collective bargaining, lagging faculty salaries, and rising costs and prices.

¹Computed from the U.S. Department of Health, Education, and Welfare, Office of Education, *Projection of Educational Statistics to 1981-82* (Washington, D. C., 1972).

In its publication, entitled *Student Expenses at Postsecondary Educational Institutions 1977-78* (1977), the College Entrance Examination Board reached the following conclusions regarding current postsecondary educational tuition costs.

- (1) The overall increase in total expenses for resident students at all types of institutions from 1976-77 to 1977-78 averages about 4 percent. At four-year public institutions the average is about 4 percent, and at four-year private institutions the average is about 5.2 percent.
- (2) The difference in total expenses for resident and commuter students is approximately \$500. The difference in tuition and fees between private and public institutions per year is \$1,423 for two-year institutions and \$1,855 for four-year institutions. Total expenses minus tuition and fees do not vary substantially by institutional type and control.

As a general rule, tuition and fees at public institutions are the lowest, particularly for students who are legal residents of the state or district in which the institution is located. However, both two-year and four-year public institutions typically have an additional tuition charge for students who are not legal residents of the state or district. This out-of-state or nonresident tuition surcharge may make the cost of attending a public institution as high or higher than attending a private institution.

The increased cost of attending a postsecondary educational institution places great financial stress on families to meet these costs. This monograph reviews the experiences of colleges, states, and Federal agencies that have implemented or experimented with various plans to meet tuition costs, which should be of great interest to the postsecondary educational community.

Alternative Tuition Models

Usually a state-supported institution will constitutionally establish rules determining what students are entitled to a lower tuition rate and what students must bear a larger portion of the full cost of their education. The purpose is to differentiate (1) those who are residents and have substantially supported the state educational institution through state income, sales, and property taxes, and (2) those who come to the state only to take advantage of educational services, who have not or do not intend to contribute to the state's welfare, and who do not intend to become state residents. Reclassifying students has become quite an issue in regard to the financing of postsecondary education, as higher tuition differentials have motivated more and more nonresidents to seek residency so they may qualify for the lower resident tuition rates (Carbone 1974).

The courts have recently held that it is illegal to permanently freeze a student's residency status, since classifying students once for all creates an irrebuttable circumstance or presumption. Students cannot be forever barred from having a fair opportunity to become a bona fide resident of a state. The courts have consistently held that each case must be decided on the specific circumstances in each particular situation. In reviewing a resident claim, relevant criteria usually include year-round residence, voter registration, place of filing tax returns, property ownership, driver's license, car registration, marital status, location of employment, etc. A state cannot discriminate among various classes of bona fide residents. In terms of procedural due process, there generally must be adequate publication of the rules determining residence, the notices of appeal classification, and the procedures for appeal. The best way to eliminate expensive litigation is to have a clear and fair procedure applied without arbitrary action.

In a 1974 monograph published by the American College Testing Program, Robert F. Carbone discussed a number of models for alternative tuition systems. The following is a review of the alternative tuition models evaluated by him:

Nonresident Students—Surcharge Model: The basis for determining payment status in this model is a one-time determination, with no reclassification possible, on the basis of legal residency in the state for twelve consecutive months immediately prior to initial matriculation. The basis for determining the cost of education to the student is a standard tuition charge

for all students differentiated by levels of instruction plus a surcharge assessed to all students who cannot substantiate a claim of legal residence in the state when they enroll in a public college. The payment mechanism is a one-time added fee collectible when initially matriculating, with the alternative of signing a promissory note for the amount of the surcharge. The note would offer an option that would establish a schedule of deferred payments over the normal length of the degree program.

Resident Tuition-Fee-Remission Model: The basis for determining the payment status in this model is a one-time determination, with no reclassification possible, on the basis of the student's status at the time of graduation from high school. The basis for determining the cost of education to the student is a single tuition rate for all students at a given level of instruction, with a substantial remission of fees to those resident students who are graduates of an in-state high school. The paying mechanism is the remission of payments by the institution to the student at the time of payment of fees.

Sliding-Scale, Multiple-Criteria Model: The basis for determining the payment status in this model is a periodic evaluation of residency status on the basis of a flexible scheme of weighted criteria. The basis of pricing education to the students is a sliding scale of tuition, related to their residency status. Residency is reflected by the various criteria within the Sliding Scale, Multiple-Criteria Model. Tuition assessment uses five criteria generally accepted for residency evaluation and provides a technique for objectively sorting students into one of the different tuition categories on a continuum between pure resident and pure nonresident.

Sliding-Scale, Single-Criterion Model: The basis for determining the payment status in this model is a periodic determination of fees on the basis of the length of time the student has resided in the state. The basis for determining educational costs is a sliding scale of tuition categories related to the residency status.

National Tuition Bank: The basis for determining payment status in this model is an initial determination of entry to state institutions on the basis of legal residency twelve months prior to matriculation, with subsequent reclassification possible. The basis for pricing education to the student, or the tuition cost, is a nonresident fee based on the difference between resident tuition and average per student state appropriations. The payment mechanism is a national tuition bank, a quasi-public corporation that would administer a balance of tuition payment mechanism through which the states could channel costs of education subsidies to public institutions in other states.

In an attempt to establish an equitable system of alternative financing plans, the state of Rhode Island established an interinstitutional committee on tuition fees and policy. In November 1974, the committee reported a variety of options that could be used as tuition models. The various options are outlined below:

- (1) Tuition charged as a proportion of the average citizen's ability to pay.
- (2) Tuition charged according to the individual student's ability to pay.
- (3) Tuition charged according to the student's program of study.
- (4) Tuition charged all students on a credit-hour basis.

- (5) Tuition charged the same at all public institutions.
- (6) Tuition charged according to the student's level of instruction.
- (7) Tuition charged as a proportion of a student's instructional cost.
- (8) Tuition policy based on some combination of the seven options discussed above.

Other Financing Options: Some other unique alternative tuition systems that colleges have established include the plan at the Gustavus Adolphus College. Gustavus Adolphus College has a four-year guaranteed cost plan available to all students on an optional basis. Students electing to be covered under this plan are guaranteed that the comprehensive fee in effect during their freshman year will remain in effect for their remaining consecutive years in school. The cost or premium for this guarantee is \$150, which must be paid early in the academic year. This fee or premium is paid only once, and the payment is made in the first year. For example, if a student elected the Guaranteed Cost Plan, the student would pay a \$150 premium for this feature plus the comprehensive tuition charges for the academic year. Then for the remaining consecutive years at Gustavus Adolphus, the comprehensive fee would remain unchanged. Those students not choosing this option would have their comprehensive tuition charges subject to increases.

Some schools have also implemented a payroll deduction plan for graduate assistant students to finance their education on an installment basis. For example, the Washington State University has implemented such a plan for graduate assistants. The payroll deduction plan is available for the registration fee portion of the total cost of attendance for students who have some kind of financial arrangement on the basis of an assistantship or fellowship.

Alternative Loan Plans

The federal student financial assistance Guaranteed Student Loan Program is available to any family. A family whose adjusted income is less than \$25,000 automatically qualifies for federal interest subsidy. Those whose adjusted family incomes are \$25,000 or more can still obtain a 7 percent interest loan but are not eligible for a federal interest subsidy unless the family can demonstrate need through an approved government need analysis of the family's financial strength. The Guaranteed Student Loan Plan makes a low 7-percent loan available to all families seeking assistance in paying for postsecondary educational costs. The Program enables students to borrow directly from a bank, a credit union, a savings and loan association, or other participating lender. The loan is guaranteed by a state or private nonprofit agency or it is insured by the Federal Government. Students may apply for the loan if they are enrolled, or have been accepted, at least half-time in an eligible college, university, school of nursing, or vocational, technical, trade, business, or home-study school.

The maximum a student may borrow as an undergraduate is \$2,500 a year. A graduate or professional student may borrow up to \$5,000 per year (in some states it is less). The total amount a student may borrow for undergraduate or vocational study is \$7,500, while the total for a graduate or professional student is \$15,000, including loans made at the undergraduate level.

Prior to the Guaranteed Student Loan Program, many families either had to borrow at a high-interest rate to send their children to private colleges, seek low-cost alternatives such as community colleges, require both parents in the family to work, or deny their sons or daughters an opportunity to attend the college of their choice. Because of limited capital, some commercial lenders are unwilling to make unsubsidized loans. Some schools still find that Guaranteed Student Loan Program funds do not provide enough financial assistance to many higher income families seeking help to finance their son's or daughter's high-cost education. Participation by colleges and universities as lenders has usually involved higher priced private institutions. The insufficient National Direct Student Loan Program funds and limited availability of guaranteed loans from commercial lenders have motivated many colleges and universities to become full

Federal Insured Student Loan lenders and explore other alternative financing mechanisms.

Because of the escalation of tuition costs, several high-cost private colleges have established alternative tuition financing systems, which incorporate long-term repayment plans that would make it easier for families to meet the expensive tuition charges. The program enables eligible parents to pay four years of college costs in monthly installments of principal and interest spread over a six- to eight-year period. Payments start shortly before the student enters college. The program, called the Parent Loan Plan, involves offering loans to families earning between \$15,000 and \$75,000 at an interest rate of 8.5 percent. This interest rate is slightly higher than the Federal Guaranteed Student Loan Program interest rate but is significantly lower than most commercial loans.

Harvard University pioneered a family loan program approximately a year ago. Bryn Mawr, located in Philadelphia, has recently decided to implement the Family Loan Plan for the fall of 1977. The University of Pennsylvania, Princeton University, and Haverford College are all considering implementing the Family Loan Plan in the near future. The Knight Insurance Agency has been retained by participating private colleges to manage the Family Loan Program, which involves running credit checks, insuring the loans, and administering the day-to-day handling of the program. In addition, the Knight Agency has cited over sixty institutions that have expressed serious interest in implementing or exploring the feasibility of a Family Loan Plan. Without such plans the private colleges fear the middle-income family would be squeezed out of having an opportunity for a son or daughter to attend a private postsecondary institution, and the student body would then be comprised only of the more affluent who could afford the higher tuitions and of the low-income student who would qualify for student financial assistance based upon need. Cornell University, Yale University, Amherst College, Massachusetts Institute of Technology, and Stanford University are some of the private colleges that are now participating in the Family Loan Program. The colleges are hopeful that the Family Loan Program will be the answer to defraying the high cost of tuition.

The terms of most of the loan programs are similar. For example, all institutions will allow parents to borrow money. Most federal and state financial aid programs lend the money to students themselves, not to the parents. Previous generations of students did not have to incur the financing responsibility for a college education to the extent that students today do. The Family Loan Plan allows the family

or the parents to incur the loan obligation rather than the student. Then at a later date the students repay the cost of public and parent subsidies by means of the taxes on their subsequent earnings, which are used to create educational opportunities for yet another generation. This intergenerational transfer of resources spans 20 to 50 years or more. Many of the colleges feel that lending directly to the parents is a more advisable practice because it doesn't place a huge amount of loan indebtedness on the student, who has no established credit history and who has not been in a position to secure permanent gainful employment. The default risk on the loans under the Family Loan Plan then would be lower than if the loans had been given only to the students.

Institutions that have exceedingly high tuition costs will only be able to educate the affluent, and a commitment to the moderate income students may not be possible. Some private prestigious colleges announced the implementation of the Family Loan Plan in part because the evaluation of enrollment data showed that middle-income students had been accepted by the institution but had decided not to attend. The rate of enrollment was more stable in other income brackets, even in the lower income brackets, because these students were able to get some type of financial assistance to pay for the cost of their education. Then, after the Family Loan Plan had been implemented and a reevaluation of the enrollment patterns was made, the private high-cost institutions found that there was a more favorable increase in the middle-income students accepting admission to the institution.

One major factor in determining the institutional capacity to implement a Loan Plan is the amount of endowment that can be utilized to finance the plan. An endowment has to be of sufficient strength to carry the financial burden of making loans. The Knight Agency has projected that only 10 to 12 percent of a class probably will participate in the program, although the program will be open to all parents who qualify by income and who pass a credit check. The Knight Agency reports that most institutions experiencing the problem of high-cost tuition are the more highly academic oriented, high-cost, prestigious institutions, which probably could afford committing the capital required for participation in the Family Loan Plan.

There are other private, noninstitutional installment plans available to parents. One is the Tuition Loan Plan made available by the Tuition Loan Plan Firm of New Hampshire. The Tuition Loan Plan enables families to defray heavy tuition expenses by repaying the

funds borrowed through monthly installments. One of the benefits of this method of payment is that it helps the family keep their savings and investment plans intact. In addition, the program allows the family to obtain parent life insurance, which is included in the different tuition loan plans that might be selected, to provide protection for the student's future education. Since 1938 more than half a million families have used the convenient monthly payment programs of the Tuition Loan Plan. It is currently in use at over 2,600 schools and colleges as an alternative to paying educational costs in cash.

The private, noninstitutional installment plans typically include:

- (1) Plans usually allow equal monthly payments. This method of payment matches the normal family cycle of income and bill paying and makes the family's money management easier.
- (2) Plans a method for the repayment to be extended beyond the completion of the educational program if desired.
- (3) The cost of borrowing is incurred only when payments are made to the school from the family's loan plan, i.e., money actually in use. The interest charges are tax deductible.
- (4) Plans allow a feature for the cost of insurance to be included in the monthly payment, so that if either parent were to die, all future payments under the program would be made for the family.
- (5) Plans permit families to begin monthly payments at the time their son or daughter is accepted for admission, in which case the monthly payments would be lower and insurance coverage would begin earlier.
- (6) Plans provide a flexibility feature that will allow the family to choose the annual amount needed, so that they can choose the payment schedule that is most convenient for them.

Plans relieve financial pressures by permitting the family to have a more controlled cash-flow solution to the escalating costs of post-secondary education. The plans also allow many institutions to complement their existing need-based student financial aid programs and provide a comprehensive financial service to relieve the pressure and provide greater access, choice, and opportunities to all students seeking help in financing a postsecondary education.

Some institutions have established other alternative financing programs. One example is the Yale University Tuition Postponement Option (or the Income-Contingent Loan Program). The Yale Tuition Postponement Option is an innovative project that evolved out of

a response to the financial crisis that is afflicting postsecondary education. In common with many private colleges and universities and an increasing number of public institutions, Yale faced a financial situation that dictated new options for students to finance their education. Without new options Yale would have had to abandon its commitment to an admissions policy that permitted student access to postsecondary education independent of the family's economic status. Various alternative tuition systems were discussed as a means of enabling students to bear a reasonable share of the cost of financing their postsecondary education without excluding any student on the basis of parental income or wealth.

The Tuition Postponement Option presents two fundamental departures from borrowing options previously available under the Federal student financial aid assistance programs (the Guaranteed Student Loan Program and the National Direct Student Loan Program). The significant departures are: (1) the repayment term is significantly lengthened, and (2) there is a degree of income insurance available. Both dimensions of the Tuition Postponement Option represent a significant improvement in the ways in which students can draw on capital markets to finance their educational investments. Both innovations were expected to significantly alter student reliance on borrowed funds.

The purpose of the Yale Tuition Postponement Option, established in 1972-73, was to generate additional revenue from increased tuition and fees without increasing student aid and without placing unmanageable burdens either on current incomes of the student's family or on the student's own future income (Weathersby and Nash 1974). The major features of the program are as follows:

- (1) Yale's Tuition Postponement Option allows students to defer from \$300 to \$2,000 of tuition and room and board fees in the academic year for undergraduate students (up to \$2,500 for graduate students). Students selecting this option are obligated to repay Yale 0.4 percent of their annual adjusted gross income for every \$1,000 deferred over a period not to exceed 35 years.
- (2) Each borrower will make a minimum repayment of \$29 per \$1,000 borrowed, sufficient to discharge the principal amount deferred over 35 years. A borrower's obligation will terminate at any point when either (a) his or her accumulated repayments equal 150 percent of the loan plus a break-even finance charge based on Yale's borrowing and administrative costs, (b) he or she has paid at least the principal, or (c) the maximum term of 35 years is reached, whichever comes soonest.

One of the problems with income-contingent loan programs is that the long-run costs of administering such a program and of monitoring the borrower's incomes and repayments may prove to be costly and render the plan impractical; i.e., will incomes and repayments rise as projected? Also, the relative cost of implementing an income contingent plan would depend on the institution's willingness (a) to make guarantees and to spend funds on any plan that features payment periods of more than ten years, (b) to accept interest charges to get borrowers at over 7 percent, and (c) to agree to income-contingent contracts.

In the early 1970's the Ford Foundation had expressed interest in collaborating with Yale and Duke University in initiating the income-contingent plans. However, because of the heavy capital investment in implementing the program, Ford believed a consortium arrangement was more feasible. Unfortunately, due to the tight money market in the early 1970's, few colleges and universities actually were able to establish the income-contingent programs. Duke University established an income-contingent loan plan in 1971, and has an average expected return from borrowers of approximately 5 percent. Loans range between \$500 and \$1,000 with the repayment rate at .36 percent per \$1,000 borrowed. The income base is an adjusted gross income and the maximum repayment period is 30 years at 8 percent (Weathersby and Nash 1974).

Federal Proposals

There have been several different federal proposals for providing alternative tuition financing systems for postsecondary educational institutions. One proposal was to provide federal aid aimed at particular curricular programs. Several pieces of legislation have been introduced in Congress over the past few years, but the appropriate congressional subcommittees on education have taken no action regarding this type of legislation. The purpose of this legislation was to offer an alternative means of assisting institutions—spreading funds widely among institutions and providing special assistance in the field of science. An example of this type of legislation was the unsuccessful Miller-Daddario Bill (Weathersby and Nash 1974), which authorized a total of \$150 million to be distributed to institutions by the National Science Foundation on the basis of a three-part formula. The first \$50 million was to be awarded to institutions as a graduated percentage of the total sum of project grants that they received during the preceding year from three federal agencies—the National Science Foundation, the Office of Education, and the National Institute of Health. The maximum award was set at \$300,000 per institution, and it was to be based on the merit of the institution's project proposal. The second \$50 million was to be awarded to states on the basis of the number of their high school graduates. Each state would be directed to distribute its funds in proportion to each institution's share of the total of credit hours in science taught in the state. The last \$50 million was to be distributed to institutions on the basis of the number of advanced degrees earned in science during the preceding three years.

Another alternative financing proposal provided unrestricted aid based on enrollment increases. Arguments for this proposal are found in *The Financing of Higher Education* (Bowen 1971) and also in the book *Tuition and Student Loans in Higher Education, the Economics and Financing of Higher Education in the United States* (a compendium of papers submitted to the Joint Economic Committee, 1969). The purpose of this proposal was to meet future increases in the educational expenditures without placing additional burdens on students in the form of higher tuition and fees. The major features of the program include formulas for determining institutional support. Bowen proposed that, first, institutional support must be re-

lated to the change in national educational expenditures per full-time equivalent (FTE) student and to the change in a given institution's enrollment. Second, institutional support should be related to the change in the educational expenditures per FTE student and to the change in a given institution's expenditures per student. This plan was challenged on the basis that a disproportionate amount of Federal funds might go to new institutions. For instance, a new institution, whose expenditures per FTE student were relatively low and constant but whose enrollments were increasing rapidly, might receive more than 50 percent of all its funds from the Federal Government. Another criticism was whether it would be fair or reasonable to penalize institutions that decrease their expenditures per student by being more efficient.

Another financing proposal was based on the growth difference in the Gross National Product formula. The proponents of this proposal were Robert L. Farrell and Charles J. Andersen in *General Federal Support for Higher Education, An Analysis of Five Formulas* (1968). This proposal is set forth to relieve current pressures on the operating budgets of institutions, to prevent tuition increases, and to lessen the strain on state tax structures. One of the main features of this proposal was that it determined federal aid to institutions by periodically relating the growth of the Gross National Product to the growth in institutional expenditures for student education. Second, it allocated the dollar difference between the two kinds of growth to the public and private sectors according to the number of degrees awarded by each. Third, it distributed the funds allocated to each sector to institutions on the basis of their enrollments. For example, in 1963 and 1964 the annual increase in GNP ranged from 5.8 to 9.2 percent, whereas increases in student education expenditures ranged from 12.8 to 17.4 percent in four-year colleges and universities. The growth difference formula produces a hypothetical figure of what student educational expenditures would have been had they grown at the same rate as the GNP (Weathersby and Nash, June 1974). This hypothetical figure is subtracted from the actual growth difference between the GNP and the student education expenditures. The result is the figure that the Federal Government would provide to all institutions. This proposal was challenged because it was believed that the formula suffers from some of the same shortcomings as the Bowen model. For example, low-cost and/or low-quality institutions with expanding enrollments might be benefited more than high-cost and/or high-quality institutions with stable or decreasing enrollments.

Another proposal that provided a basis for alternative tuition systems was that proposed by former Representative Edith Green of Oregon and Albert Quie of Minnesota, who introduced amendments to the Higher Education Act of 1965 in April 1971. This proposal called for capitation grants to institutions. The purpose was to further subsidize costs of education not met by student tuition and fees by holding institutions accountable for high quality performance. Major features of this proposal were two basic formulas for allocating federal funds for general institutional aid. Two-thirds of the authorized funds would have been made available to institutions on the basis of a general formula relating to full-time equivalency enrollments—\$100 per FTE lower-division student, \$150 per FTE upper-division student, and \$200 per graduate student. Institutions also would have been entitled to an additional \$300 for each of 200 students and an additional \$200 for each of 100 additional students on the basis of total full-time enrollment of the institution. The remaining one-third of the authorized sum would have been allocated on a cost-of-education basis relating to the amount of federal student assistance that a given institution received. The Commissioner of Education would be authorized to fund: (a) 38 percent of the aggregate of Equal Opportunity Grants, Work-Study payments, and loans to institutions of 3,000 or more students; (b) 50 percent of the aggregate to institutions of less than 1,000; and (c) 46 percent of the aggregate to institutions of more than 1,000 but less than 3,000. According to the proponents, these formulas would have fostered diversity among institutions, benefited small colleges particularly, and held institutions accountable for measures of high-quality performance (Weathersby and Nash, June 1974).

This proposal was challenged on the basis that tying the definition of an institution's enrollments to credits presents some administrative problems. The determination of credits earned by students at institutions during the academic year would be difficult in light of the fact that some institutions award credit only for time spent in classes while others award credit for student proficiency as demonstrated by the examination and/or for out-of-the-classroom performance. The proposal was also challenged on the basis that it would expand the number of credits that students earn by increasing workloads, lowering standards of performance, and shortening the time required to achieve credits.

Another federal proposal was to establish an Educational Opportunity Bank to administer loans to students. A leading proponent of this proposal was the Panel on Educational Innovation chaired by

Professor Gerald Zacharias of the Massachusetts Institute of Technology. This proposal was sent to the U.S. Commissioner of Education, the Director of the National Science Foundation, and the Special Assistant to the President for Science and Technology in 1967, but it was never implemented. The purposes of the plan were: (1) to increase the total financial resources available for undergraduate education; (2) to increase the freedom of individual institutions to set their own priorities; (3) to increase the viability of private institutions of higher learning; (4) to increase the number of students from low-income families attending college; (5) to reduce demands by middle-income parents that expenditures on their children's higher education be made tax deductible; and (6) to reduce the disparities and opportunities between rich and poor states (Weathersby and Nash, June 1974). The major feature of this bill was that it established the Educational Opportunity Bank as an agency of the Federal Government to lend students sufficient money to cover their total educational costs. The funds that were to be administered by this Bank were to be paid by the loan repayments of the successful borrowers. The Bank would collect, through income taxes, a repayment of 1 percent of annual income for 30 years for every \$3,000 borrowed. Another feature would allow students to buy out at a rate slightly in excess of the most favorable conventional loan rates. The other major feature was that the loans would not discriminate among recipients on the basis of income. This proposal was meant to increase the access of students in higher education and to free funds from private foundations for use in innovation, improvement, and research. The main criticisms directed at this proposal were that it would shift the responsibility of loans to students, who would incur a great amount of indebtedness, and that institutions would be in a weaker position to receive direct support.

Another proposal, suggested by Alice Rivlin (1969), was to establish a National Student Loan Bank that would provide flexible forgiveness provisions. The purpose was to establish a long-range plan for federal financing for higher education. This proposal was to provide a form of insurance against the prospects of low earnings and to establish some long-range objectives for federal funds to promote equality of opportunity and strength in graduate education and research. A major feature of this proposal was that it establish a National Student Loan Bank as an agency of the Federal Government to provide long-term loans with provisions for limited-income-contingent debt forgiveness. It also prepared a variety of fixed schedules for loan repayments, allowing up to 30 years and spreading payments

over time in equal or graduated installments. The proposal protected low earners through the Federal forgiveness of debt in a type of insurance known as "risk pulling." The level of income at which borrowers would be eligible for some forgiveness of debt would depend on the number of low earning borrowers along with resources available for debt forgiveness that year. Each year, however, some portion of the payments due would have been borne entirely by the Federal Government. The final, major feature of this proposal was that it made forgiveness provisions flexible according to factors in a given year rather than as a part of the terms of the loan. Each year the National Student Loan Bank would have set a minimum income level and/or maximum percentages of income for debt payment on which between 5 and 10 percent of the aggregate repayments due that year would be forgiven. The proposal was challenged because the Federal Government was required to bear the open-ended obligation of recovering all losses resulting from the lower-than-projected earnings of the borrowers.

Another loan proposal was to establish a National Loan Bank. The proponent of this proposal is the Carnegie Commission on Higher Education (1970), which strongly supports its implementation. The Commission recommended the establishment of a National Student Loan Bank to extend income-contingent loans up to \$6,000 for four years of undergraduate study and an additional \$10,000 for graduate student studies. Students would repay at a rate of at least .75 percent per \$1,000 borrowed until they have repaid their loans at a rate of interest to cover the cost of borrowing, administration, and mortality insurance (probably 7 percent) or until they have repaid for 30 years. The balance outstanding after 30 years of repayment would be forgiven. In addition, any interest charges for the borrowers from low-income families would be forgiven during enrollment rather than during accrual. Direct federal appropriations would cover the losses resulting from the forgiveness of interest for low-income students as well as from the 30-year debt forgiveness feature. This plan was challenged on the basis that in an era of general capital shortage and price inflation, lenders would generally be unwilling to commit long-term funds to loans. Another criticism was that any income-contingent loan plan unquestionably discriminates against women, for they could not afford repayment if they chose to remain in the home.

A recent project study of the Washington office of the College Entrance Examination Board (1977) has implications for alternative tuition financing systems. The purpose of the study was to examine

the relationship between federal and state programs that provide assistance to students attending postsecondary educational institutions. The research was aimed at producing data useful to policy decision-makers in an era of expanding public expenditures and sensitivity to issues of social equity. A more effective meshing of governmental efforts in student assistance programs has implications for the financing of postsecondary education, specifically in institutions with regard to how they might establish their tuition systems to more fairly finance the student's cost of postsecondary education. The interrelationship of the federal and state governments in subsidizing postsecondary education will have a bearing upon tuition levels and cost of attendance.

Current Practices and State Alternative Tuition Financing Arrangements¹

Each of the 50 states in the United States has devised its own method for financing postsecondary education. The wide variety of patterns that has evolved is influenced by each state's revenue base, history, geography, economy, and tradition. The evolution of diverse financing arrangements resulted in large part from the absence of any centralized state governmental planning unit, until the 1972 Educational Amendments established the 1202 State Commissions. The 1202 Commissions provided unification at the state level of all responsibility for the administration of federal higher education programs requiring a state agency.

California

California has endeavored to maintain a low or no tuition charge for students attending state colleges and universities, with no tuition charges at community colleges. The California Student Financial Aid Program is administered by a state scholarship commission, which channels funds that assist in paying for tuition charges to students in both public and private institutions. Direct state government support for private institutions is not significant since direct state assistance is prohibited by the state constitution.

New York

New York State has the second largest public system of postsecondary education in the United States. The public system consists of two parts—the State University of New York and the City University of New York. The State University was created in 1948, although there had been a system of state colleges in existence under the New York Board of Regents for many years. New York has confronted the problem shared by other states of the Northeast, that of the domination of the educational scene by private colleges.

Generally, funds for higher education have been committed in three areas: (1) direct support of a state university and a city university, (2) financial assistance directly to private institutions, and (3) financial assistance directly to students. These last two programs are

¹*Alternatives in State Government Financing of Higher Education* (Washington, D. C.: Management Division, Academy for Educational Development, Inc., February 1973).

administered by the New York Board of Regents. The state of New York provides direct financial support to nonsectarian private colleges and universities under the Bundy Law. Under this law each eligible private institution receives some aid for every baccalaureate and master's degree awarded and a higher differential of direct assistance for each doctoral degree awarded. New York operates a number of student aid programs for the benefit of New York residents. The Regents Scholarship Program, which helps defray tuition costs of public or private institutions, is based on test results and financial need. The New York State Tuition Assistance Program (TAP) is designed to help full-time enrolled students defray tuition charges of \$200 or more per year. The TAP is available to residents of New York State who have a combined family state net taxable income for the previous year of \$20,000 or less. TAP awards range from \$100 to \$1,500 per year. There are over 300 schools and colleges in New York where eligible students may use the TAP award.

Pennsylvania

The third most populous state in the United States, Pennsylvania, has experienced about the same public-private student enrollment mix as New York. Pennsylvania is different from other states in that a substantial proportion of its expenditures for higher education is directed to students. The state has not been committed to a low-tuition policy, and on a per capita expenditure basis Pennsylvania has ranked rather low.

Many of the programs in Pennsylvania are unique to the state. In 1965 Pennsylvania initiated its Higher Education Assistance Authority. Grants and loans are provided on the basis of need to Pennsylvania students enrolled at state or non-Pennsylvania institutions. Recently, however, Pennsylvania has made it known that it will not continue allowing funds to assist students who attend nonstate institutions unless those states who are recipients of such funds also have some kind of reciprocal program. Some other states, such as Illinois, Indiana, Wisconsin, and Washington also have comprehensive plans or proposals for dealing with the financing of postsecondary education.

Illinois

Since the early 1960's Illinois has been committed to developing a comprehensive, quality higher education system that includes private as well as public institutions. The private colleges and universities in Illinois generally enroll about 30 percent of the students in the

state. Illinois provides direct grants to private institutions on the basis of the number of freshmen and sophomores who were Illinois scholarship winners plus additional funds for each junior or senior who is an Illinois resident. The Illinois student aid program includes both scholarships and grants, but they are applicable only to tuition charges. Another form of student aid is the waiver of tuition for students in state institutions who enroll in programs where there is a critical occupational shortage.

Indiana

An Indiana state tax-credit plan was enacted in 1969 permitting individuals to deduct from their state income tax 50 percent of gifts made to state institutions of higher education. Corporations have the same privilege but with a higher limit. Indiana's tax credits apply only to gifts, not to tuition payments. All states have been reluctant to enact laws permitting tuition payments to be a credit against income taxes. A review of the Indiana policy shows that initially those taxpayers who took advantage of the tax credit appeared to be those who were already making contributions to Indiana colleges and universities. A 1971 amendment to the program extended the privilege of the tax credits to those who made contributions to university foundations. As a result of this amendment, interestingly enough, the postsecondary institutions that benefited were primarily Indiana University and Purdue University rather than private colleges. Public universities have been able to attract gift support—especially for new buildings. The concept of tax credit for gifts is an important one and is deserving of further research because capital costs are very heavy burdens for states to finance.

Wisconsin

In 1970 the Governor's Commission on Education in Wisconsin recommended a new proposal for state financing. This proposal was worked out by two University of Wisconsin economists, W. Lee Hansen and Burton Weisbrod. This plan is discussed in "A New Approach to Higher Education Finance," in *Financing Higher Education: Alternatives for Federal Government* (Orwig 1971, p. 117). The recommended plan focuses on a portable grant or voucher system, which would require full-cost pricing and full grants for all students demonstrating need. The plan is still under consideration but has been opposed by the state because of its cost and because students would be expected to pay the full cost of their education.

Another plan being considered is the Wisconsin Guaranteed Higher

Education Plan (WGHEP). A positive feature of this program was that there would be no tuition charge increase in the total cost of attendance. Also, grants from the state would be made directly to students to enable them to attend institutions of their choice. The students would receive up to a maximum amount for living costs and tuition. The plan provides a state interest subsidy program based on income. Loan limits are currently \$2,500 per year (maximum \$10,000) with repayment in 10 years. The WGHEP would exceed these loan limits and give up to 25 years for repayment. A present private loan program could continue with WGHEP repaying the loan within 10 years but allowing the student 25 years. The plan also provides full use of the federal student aid structure. The student would sign two notes—a federal loan note agreeing to repay in 10 years and a state loan agreement in which the state would repay the federal note if the student agrees to repay the state on an income-contingent basis for up to 25 years or until the note is repaid. Notes would be guaranteed in full by the Wisconsin Higher Education Corporation. There would be no interest payments required while the student is in school. After leaving school, the student would pay interest at the market rate or at 7 percent, depending on income level. The Federal Government would pay 7 percent while the student is in school. Therefore, another positive feature of this plan is that it provides a repayment plan based on the student's income after completion of the program. This eliminates the fear of poor and disadvantaged students that money borrowed must be repaid regardless of their eventual income. The student's repayment of principal and interest will be contingent upon actual earnings after leaving school. Low income leads to low repayment; higher income leads to higher repayment.

However, this situation could also present some negative aspects. The plan may encourage the incurring of debts without obligation to repay. Also, this measure presumes the continuation of the present federal aid structure even though this has considerably decreased in recent years. Where do funds for state interest subsidy come from? What will the administrative costs be for monitoring the repayment schedule from the present 10 years to 25 years? A final negative feature is the additional cost involved in guaranteeing loans and making good on those defaulted.

Ohio

In 1971 the then Governor John J. Gilligan recommended to the Ohio General Assembly legislation that would obligate every Ohio

student to repay to the state of Ohio the full amount of direct state subsidy to that student on the basis of future income. The Governor projected the possibility that in 20 to 30 years the state of Ohio would thus have a substantial new source of income for the support of public institutions of higher education. The purpose of the Ohio Plan was to impress on the student the magnitude of the social investment on the basis of his or her future income. The Ohio Plan was modeled, in part, on the income-contingent loan plans implemented at Yale and Duke. In these instances, increased tuition charges to the student might be paid by the student in the form of an income-contingent loan, a current loan to be repaid with interest on the basis of future earnings. The financing of these loans is provided through endowment funds.

Before retiring as Chancellor of the Ohio Board of Regents in 1972, John D. Millett recommended a modified version of the alternative tuition plan Governor Gilligan had proposed. The Millett proposal called for an increase in student charges at the state universities at all levels. Undergraduate students from families with incomes over \$12,000 would be offered the option of an income-contingent loan as a means of paying the increase in tuition. In addition, any Ohio resident enrolled as an undergraduate student at a private college or university would be eligible to receive an income-contingent loan in the amount of \$600 per year. Under the Millett proposal an undergraduate student entering into an income-contingent loan would begin to repay his or her obligation 5 years after the completion of a higher education and would continue for the next 15 years. The rate of repayment until the entire debt was paid would be as follows: (1) With an annual income of \$7,000 to \$9,999 the yearly repayment would be 1 percent; (2) with an annual income from \$10,000 to \$14,999 the yearly repayment would be 2 percent; (3) with an annual income from \$15,000 to \$19,999 the yearly repayment would be 3 percent; and (4) with an annual income of \$20,000 and above the yearly repayment would be 4 percent.

The concern in regard to this proposal was that some students would make only partial repayments, while others would make complete repayments. The plan was to be administered by a state student loan agency, and a state subsidy to the loan agency for debt service of the agency was questioned. The plan forecasted that the state of Ohio would continue to subsidize undergraduate and graduate instruction as well as certain other higher education programs, along with research, public service, and student aid. At the same time, the proposal assumed a substantial increase in higher education expendi-

tures per student but only a modest increase in the total state appropriations for higher education due to increasing demands for state support for private-public higher education as well as for increased state expenditures in the areas of welfare and health care.

Another alternative tuition financing program is the Ohio Instructional Grant Program:

The Ohio Instructional Grant Program is a financial aid program designed to assist low- and middle-income students who are enrolled for full-time undergraduate study in eligible Ohio institutions of higher education. These grants are not intended to cover all college costs, nor are they intended to meet the total unmet need of participating students. Ohio Instructional Grants serve as one source of student assistance and are intended to be combined with several funds from other financial aid programs. The major objective of the Ohio Instructional Grant Program is to assist in the elimination of the economic barrier that discourages many promising students in their plans to seek higher education. These grants are not awarded upon the basis of scholarship, as such, but upon the basis of relative financial need.²

Washington

An alternative tuition financing recommendation was made by the Council on Higher Education in the "Washington State Public Higher Education Report for 1975 Through 1977" (December 1974). One of the suggestions was that fees at the three older state colleges be differentiated between lower- and upper-division students to improve direct access into the system. Further, it was recommended that a graduated fee structure be studied for possible further implementation by the universities. Another suggestion was that the differential charge to graduate students and the tuition and fees for medicine, dentistry, and veterinary medicine be adjusted upward to reflect the decline in the value of the dollar since 1971-72. Washington has traditionally maintained these fees at lower proportions of total costs, due to the need for trained manpower in these specific professional and technical areas. The state has demonstrated an interest and obligation to become directly involved in determining program levels in this area.

There is a noticeable trend in many states to move toward a variable pricing model, where graduate tuition is fixed at a higher level than undergraduate tuition or where tuition is higher in one professional field (medicine) than in other professional fields (for example, business administration). The danger in the pricing of instructional programs in fixed relationships to costs is the possible result that

²"Ohio Instructional Grants" (Columbus: Ohio Board of Regents, December 1974).

only students from families with higher incomes would be able to enroll in high-priced programs and students from lower-income families would tend to enroll in the lower priced programs. This kind of maldistribution of enrollment could interfere with both individual and societal benefits to be derived from postsecondary education. An argument advanced in favor of variable pricing is that earnings appear to be a function of degrees obtained. It is the possession of a degree, not just college attendance, which serves as a credential for employment in the world of work. It is interesting to note that the state of Washington has a work-study program to complement its two grant programs—the tuition and fee waiver program and a state need-grant program. A portion of the funds appropriated to the state work-study program created the opportunity for an academically related employment experience while at the same time providing sufficient additional resources for a student to remain in school.

Regional Plans

In early 1977 William S. Patrick wrote an article on regional reciprocity agreements that are examples of the different experiences colleges have used as a basis for meeting tuition costs. He comments that:

Regional exchange programs of reciprocity for out-of-state students are growing in number and expanding in scope. Next to doing away with out-of-state fees on a national basis, they offer the most viable alternative to the non-resident student, who is confronted with significantly higher costs because he is attending a public institution of higher education outside the borders of his home state (Patrick 1977, pp. 216-230).

The Carnegie Commission recommends that states enter into reciprocity agreements to take advantage of initiating and expanding programs that promote interstate portability of funds and mobility of students (April 1974, p. 146). Various agencies or organizations, such as the Southern Regional Education Board (SREB) and the Western Interstate Commission on Higher Education (WICHE), have had regional exchange programs for several years. These agencies have used a variety of methods to promote reciprocity, including contracts with a variety of state agencies, foundations, and the Federal Government, to provide necessary support for the programs.

Several southern states have formed an academic common market that serves as a vehicle for broadening educational opportunity by making available to students various academic programs not offered or generally not available in the student's home state (*The Academic Common Market*, 1975-76). By eliminating the nonresident fees, the cost of attending a public institution in another state becomes much more reasonable. Another factor of considerable importance is that the exchange program eliminates the need for each state to develop graduate programs in every field. The following states have agreed to pool selected graduate programs in an academic common market: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Texas, Virginia, and West Virginia (1975-76).

The common market approach of regional cooperation can offer a viable alternative to the current dilemma of scarce financial resources for postsecondary education at a time when there is still a rather high demand for greater educational opportunities. The academic common market is also creating and innovating new ways to

share a set of scarce resources for financing postsecondary education. A mutual reduction in costs for all participating states and students makes the common market desirable. One of the reasons that the graduate students were included in the common market was because there was an uneasiness about the importing and exporting of students and about the possibility of an imbalance between "have" and "have not" states.

There are two crucial provisions in the implementation of the common market concept by SREB. First, each participating state retains complete control over which academic programs it will make available to residents of the other participating states. Second, there is no exchange of money between the participating states even if an imbalance should develop in the trading of students among the states.

The Western Interstate Commission for Higher Education is a public agency located in Boulder, Colorado, through which the members work together to expand and improve education beyond high school (Kroepsch, March 1972). WICHE was created to administer the Western Regional Education Compact, which had been adopted by the legislatures of 13 Western states. WICHE was formally established in 1951 after ratification of the compact by five state legislatures. The compact's program activities were initially implemented in 1953. The purposes of WICHE are:

- (1) To increase educational opportunities for Western youth;
- (2) To assist colleges and universities to improve their academic programs and their institutional management;
- (3) To aid in expanding the supply of specialized manpower in the West;
- (4) To help colleges and universities appraise and respond to changing educational and social needs of the region; and
- (5) To inform the public about the needs of higher education.

The programs and philosophies of WICHE are:

- (1) It serves as a fact-finding agency and a clearinghouse of information about higher education, and it makes basic studies of educational needs and resources in the West.
- (2) WICHE acts as a catalyst in helping the member states work out programs of mutual advantage by gathering information, analyzing problems, and suggesting solutions.
- (3) Also, with an eye on the alternative tuition systems' cooperation status through reciprocity, WICHE serves the states and institutions as an administrative and fiscal agent for carrying out interstate arrangements for educational services.

- (4) WICHE has no authority or control over the member states or individual educational institutions. It works by building consensus based on joint deliberation and the recognition of relevant facts and arguments.

The WICHE organization is composed of 39 commissioners, three from each state, who are appointed by the state governors and who serve without pay. There is a relatively small professional staff that is supplemented by consultants, councils, and committees. WICHE has a variety of programs, such as a community college student exchange program and a mineral engineering program. Student exchanges may or may not involve the interstate exchange of dollars, and exchanges are operative at all levels of higher education.

WICHE Student Exchange Programs Purpose—The WICHE Student Exchange Programs have been developed to help Western students obtain access to fields of professional education that are not available in their home states. More than 1,000 students benefit from participation in the programs each year. If a student is a resident of a Western state and is interested in securing an education in a professional field, his or her state can help the student with plans for education by endorsing the student's application for admission at a regional school. The student exchange programs are designed to provide opportunities in professional education.

The student exchange programs are not scholarship programs. Funds appropriated by sponsoring states are reimbursed by the receiving school through payment of an institutional support fee for the educational service offered. The student does not receive a cash stipend. Support is offered during the professional program only; preprofessional study is not included. To the interested student the benefits of participation are significant. The program provides access to a wider variety of schools as well as financial savings. Certification by the student's home state encourages preferential consideration of the student's application by the professional schools. If a student is certified by the state and admitted by the professional school as an entering student, he or she will be obligated to pay resident tuition at a state school and one-third of the standard tuition charge at a private school. The result of such tuition reduction is to make professional education available to the student just as though it were offered at a public institution in his or her home state. In effect, participation may save the student several thousand dollars during the course of his or her professional education.

WICHE Student Exchange Programs Advantages—The advantages

of the student exchange programs have been thoughtfully reviewed by students, educators, legislators, governors, the WICHE commissioners, state higher education planning officers, and practicing professionals. The Western Interstate Commission for Higher Education endorses cooperative rather than competitive approaches for providing access to professional education in the West. The WICHE Commission also endorses the durability, viability, and effectiveness of provisions of the Western Regional Education Compact, through which access has been offered and secured in professional education for regional students since 1953.

Support for Continuing Choice and Common Fee Concepts—In implementing the WICHE Student Exchange Programs in professional education, the WICHE commissioners support the advisability of continuing (a) state choice of what students to certify for eligibility and what fields to support through the exchange; (b) student choice in making applications to any, some, or all accredited, cooperating professional schools; (c) school choice in selecting members of the entering class from among WICHE certified applicants; and (d) common fees to be paid by all "compact" states for certified students admitted and enrolled. The student exchange programs are designed to obtain access for certified students to opportunities in professional education. Further, it is intended that the tuition obligation of a student securing an education for a profession in a compact state be comparable to his or her tuition obligation should that opportunity be offered at home. The school where the student is enrolled receives an institutional support fee in the student's name paid by the sending state through WICHE. The institutional support fee payment is related to the institutional costs of providing an educational service.

*Minnesota, Wisconsin, and North Dakota Exchange Program*¹

The states of Minnesota and Wisconsin have agreed that residents of either state can attend public colleges and universities in the other state upon payment of resident fees. Such an agreement is apparently the first large-scale program of educational reciprocity between two states. However, several states have maintained limited reciprocity programs, especially for certain graduate and professional programs of a highly specialized nature, such as medicine. In effect, the agreement eliminates the boundary between Minnesota and Wisconsin for educational purposes (Minnesota—Wisconsin Public Higher Education Reciprocity Agreement, 1975-76). The reciprocal agreement was

¹Patrick 1977, pp. 216-230.

initially implemented during the 1973-74 academic year and applies to virtually all undergraduate, graduate, and professional programs in the two states. An annual review of the losses in tuition experienced by both states is provided in the agreement. Also, there is a provision for a payment to be made to the state experiencing the greatest loss of out-of-state fees. Under the reciprocal agreement, out-of-state tuition charges are waived for students from the participating states. Once a year the states pay each other for any excess of students exported over students imported.

Based on the success of the Minnesota—Wisconsin agreement, a similar agreement was initiated with North Dakota last year, and negotiations for an agreement with South Dakota are now in progress. In addition, it is anticipated that an agreement might be entered into with Iowa to complete reciprocal arrangements with all of Minnesota's neighboring states.

The Oregon Exchange Program²

The Oregon Department of Higher Education has officially adopted a rule endorsing exchange programs as follows:

- (1) Students attending Oregon graduate or professional schools under the terms of the WICHE compact shall be considered resident students for fee purposes.
- (2) Individual institutions in the state system may enter into agreements with individual institutions in other states or other countries, under which arrangements can be made for Oregon residents, specified by name in the Oregon institution, to transfer to the institution in the other state or country. In exchange, an equal number of students, specified by name from the institution in the other state or country, would transfer to the Oregon institution with a reciprocal waiving of additional fees ordinarily assessed to nonresident students in both institutions.

(The rule is cited as 30.125 Student Exchanges.)

The North Dakota Exchange Program

The state board of higher education in North Dakota has officially adopted a policy statement endorsing the concept of exchange programs. Section 15-10-18 of Chapter 15-10, Regulations of the State Board of Higher Education, states:

At all state institutions of higher education, tuition shall be charged and collected from each nonresident student in such amount as shall be de-

²*Ibid.*

terminated by the State Board of Higher Education. The amount of the undergraduate level shall not be less than the average non-resident tuition charged for the preceding fall registration by the similar state-supported institutions in the states bordering upon North Dakota. The foregoing requirements may be varied by specific reciprocal interstate agreement.

Illinois and Missouri Exchange Program³

The Illinois Board of Higher Education is considering a reciprocity agreement between Illinois and Missouri that would allow Missouri students to pay resident tuition at Illinois institutions of higher education and Illinois students to pay resident tuition at public colleges and universities in Missouri. The universities anticipate that the program will enable them to save money and provide students with courses that are not available on their own campuses.

New England Regional Student Program⁴

New England state universities in the six states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont have joined together in a cooperative exchange program to provide expanded educational opportunities to New England's college students through the New England Regional Student Program administered by the New England Board of Higher Education—the executive agency of the New England Higher Education Compact. The program is multi-faceted and consists of different categories of program involvement.

The total program, while not awarding direct scholarships, does result in major savings to both participating students and to New England state governments. Students qualifying for study under the program receive admission preference among out-of-state applicants and are charged only the equivalent of in-state tuition fees. These arrangements are agreed to by the trustees at each of the participating institutions. The program provides an opportunity to earn an undergraduate or graduate degree in certain curricula not available at New England residents' own state university or college.

The National Student Exchange Program⁵

The National Student Exchange Program allows students to spend a quarter, a semester, or a year at a college or university in a new geographic, cultural, or academic setting within the United States.

³*Ibid.*

⁴*Ibid.*

⁵*Ibid.*

The exchange student is presented with an opportunity to meet people with different life styles and background experiences. He learns that institutions of higher education have various curricular strengths, and he discovers that he can benefit from these strengths; however, he is not charged out-of-state tuition and fees.

Public regionally accredited colleges and universities may apply for membership in the National Student Exchange. Acceptance is primarily based on the exchange need for institutions, which can provide geographic or curricular variety to the program, and is a membership fee. There are two basic plans employed to meet the needs and conditions of different states. In Plan A some institutions register guest students at the host institution as if they were transfer students but with a waiver of the out-of-state tuition. At the end of the exchange, transcripts of courses taken and grades earned are sent back to the exchange student's home institution. In Plan B some institutions have their outgoing students register and pay their usual fees at the home institution and then take courses at the host institution with only minimal or no registration. Under this plan students can sometimes use state and federally-funded financial aid during the period of their exchange program.

The Mid-Western Traveling Scholar Exchange Program

The Committee on Institutional Cooperation (CIC) is an organization composed of representatives of the 11 midwestern universities, commonly called the "Big Ten," plus the University of Chicago. The purpose of the committee is to promote voluntary cooperation between participating institutions to strengthen higher education, avoid duplication, and reduce costs. The Traveling Scholar Program is a student exchange program that permits the participating institutions to grant reciprocity for selected graduate students in special fields of study. To reduce administrative problems and difficulties, the Traveling Scholar Program permits the scholar to complete his registration and pay his fees at his home institution. Credit for academic work completed at the host institution is routinely accepted and recorded at the sending institution.⁶

The Missouri—Nebraska Exchange Program⁷

A joint agreement between the Board of Regents of the University of Nebraska and the Board of Curators of the University of Missouri

⁶A Publication of the *National Student Exchange Newsletter*, Vol. V, No. 3, June 1975, and Vol. VI, No. 1, January 1976.

⁷Patrick, *loc. cit.*

permits qualified students from Missouri to register in various educational programs at the University of Nebraska on the payment of resident fees. Conversely, qualified students from Nebraska are permitted to register in various educational programs at the University of Missouri upon payment of resident fees.

The Michigan—Wisconsin Exchange Program⁸

The Wisconsin Coordinating Council for Higher Education and the governing boards of the two Michigan community colleges have had an agreement to exchange students on the payment of resident fees since 1967. Since the communities involved are border communities, this exchange program apparently has a fairly even balance of participation by residents of both states.

Kansas—Missouri Exchange Program⁹

By joint agreement of the Board of Regents of the State of Kansas and the Board of Curators of the University of Missouri, qualified students who would be eligible to pay only resident fees at the University of Missouri may enroll in certain educational programs in one of the state universities of Kansas and be charged fees at the rate paid by Kansas students. Conversely, qualified students who would be eligible to pay only resident fees at the state university in Kansas may enroll in certain educational programs on one of the campuses of the University of Missouri and be charged fees at the rate paid by Missouri residents.

⁸*Ibid.*

⁹*Ibid.*

Recommendations

Federally-sponsored groups such as the Carnegie Commission, the Zacharias Commission, the Rivlin Commission, and others have discussed regional reciprocity as a means of reducing the economic barriers to student migration. Reciprocity could be established on a regional basis. A state would have a tuition credit deposited with the regional clearinghouse and a formula would indicate the amount of federal subsidy to be added to that state's account. In this manner each institution would be building a total state credit while, at the same time, institutions in other states would be depositing debits against the total state account. Once a year the regional clearinghouse would ascertain the creditor and debtor states and submit bills to the appropriate state agency detailing drafts to each institution as appropriate. Determination of a state's balance would be based on fall enrollments, and payments from the clearinghouse could be made early enough in the academic year to enable institutions to use these funds before the close of the current fiscal year. If there is a dual balance of payments relationship, where some states have credit balances and others have debit balances, the Federal Government could step in and make up the difference in a way similar to its concept of guaranteeing defaulted loans in the Guaranteed Student Loan Program.

The high value of freedom of choice and access and the objectives of the Federal Government in this case would lend credence to its subsidy. The Federal Government, by subsidizing this effort, would be offering financial incentives to assure a state partnership in national policy for higher education. Presently, in most cases institutions attempt to compensate for stable or diminishing appropriations by dramatically increasing the nonresident differential surcharge. A Federal Government subsidy would result in the stabilization of low tuition independent of student residency because political realities requiring states to subsidize resident students through higher non-resident fees would vanish.

All the arguments for student financial aid would be supported by this movement because the federal student assistance programs are based on need and redistribution of income. The taxpayer would be supportive of regional reciprocity because it would slow down the tuition spiral. The parents of students who attend out-of-state public

institutions would find a regional reciprocity plan to their liking. It would mean the end of the artificially generated added cost of sending their children to college. In effect, the added tax they pay for higher education would be greatly reduced. Furthermore, taxpayers in the receiving state would no longer have to worry about the real or imagined fear that their tax dollars were being used to provide education subsidies to nonresident students. A regional reciprocity program subsidized by the Federal Government would avoid duplication of curriculum and promote cost effectiveness in higher education programs. Specialization by state would be free to evolve, and students would be able to go from one state to another with no financial barriers. Another advantage to this system is that the Federal Government would be subsidizing those institutions that have quality programs that attract the consumer. The regional reciprocity plan could be a factor in generally improving taxpayer attitudes about financing postsecondary education within a state.

A serious question here, though, is if the Federal Government were to simply divert the appropriations for the regional cooperation from existing need-based allocations for postsecondary education, then all postsecondary education would be seriously hurt. This unfortunate turn of events, if it did occur, would cause irreparable damage to the federal objectives for equal opportunity of access, retention, and choice. A reduction of financial support to institutions would mean a definite reduction in educational quality and opportunity for low-income residents of that state. Another problem that would need resolution is the state would still be subsidizing capital costs for public institutions, some of which would naturally contribute to the education of out-of-state students. This leads to the possibility of out-of-state students paying a differential fee for capital costs.

It is difficult to make quantitative estimates of the impact of a federally subsidized plan because reciprocity requires a better understanding of the full range of avenues and barriers to student migration. Transportation costs associated with living at home, a student's desire to move away from his family, differences in institutional image, and real quality differences between in-state and out-of-state institutions are some of the factors that have a bearing on student migration, and which need to be studied further. However, careful perusal of the situation will likely reveal that a federal-state regional reciprocity program would be the most practical way to provide a quality education—without discrimination—to all those who desire postsecondary education within the United States.

Conclusion

Of the many tuition financing plans that have been discussed in this research report, the most beneficial avenue of assistance to students seems to be the federal-state regional reciprocity plan.

Alternative tuition financing plans are necessary to help students bear the ever-increasing burden of escalating tuition costs. The pressing need for help in this area makes it very important that the postsecondary education community promote an understanding of the means to finance education, the principles of student aid, and the responsibilities, expectations, and abilities of the individual, parent, student, and government to support postsecondary education. Only with an enlightened public behind them will the postsecondary education lobbyists be able to use the legislative process to draw support and to create legislation necessary to effect a change in financing postsecondary education.

The postsecondary educational community, its lobbyists, and the public must all understand and advocate the value of education and its purpose to be successful in shaping policy. Perhaps with the necessary alternative tuition system legislation enacted, a fairer apportionment of the responsibility of financing postsecondary education to society and to the student will be achieved.

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